



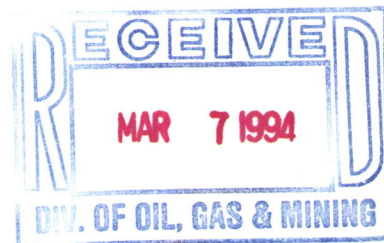
ZIEGLER CHEMICAL & MINERAL CORP.

100 JERICHO QUADRANGLE, JERICHO, NEW YORK 11753

CABLE ADDRESS: "ZIECOMP JERICHO NY" • TELEX: 96-1387 • TEL: 516 681-9600 • FAX: 516 681-9604

M/047/013

March 2, 1994



Mr. Lowell Braxton
Associate Director
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

RE: Standby Letter of Credit

Dear Mr. Braxton:

Please refer to your letter of February 2, 1994 addressed to Mr. Robert E. Covington. Our bank advised today, that the reclamation surety letter of credit has been increased to \$105,300 and the new L/C has been mailed out to your office. This will satisfy your request and should allow Ziegler to begin mining work at the Cowboy Federal #1 Lease Vein.

If there are any additional questions concerning the letter of credit, please give me a call.

Sincerely yours,

William J. Hyland

William J. Hyland
Vice President Finance

WJH/ky

CC: Gordon S. Ziegler, Jr
Robert E. Covington
Norman Haslem



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
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801-359-3940 (Fax)
801-538-5319 (TDD)

February 2, 1994

CERTIFIED RETURN RECEIPT
P 074 978 886

Robert E. Covington, Consultant
Ziegler Chemical & Mineral Corporation
P.O. Box 1845
Vernal, Utah 84078

Re: Conditional Approval of Mine Plan Amendment, Cowboy Federal #1 (aka Cowboy-Bandana Vein, Federal Gilsonite Lease No. U-0122693), Ziegler Chemical & Mineral Corporation (Ziegler), Ziegler Gilsonite Mines, M/047/013, Uintah County, Utah

Dear Mr. Covington:

The Division has reviewed the revised permit amendment submission received January 3, 1994, and the corrected pages received January 6, 1994. The additional information satisfies the Division's concerns listed in our December 27, 1993 review letter.

According to our review of the latest submission the maximum disturbance at any one time for this amendment will be approximately 3.3 acres. This acreage is based on Ziegler's proposal for concurrent reclamation during this project, and the Division's policy of a revegetation survival/success evaluation when the vegetation has survived three growing seasons. The proposal calls for a total of four shaft setups over the course of approximately 10 years. The Division estimates total reclamation costs for this amendment to be \$12,600 in terms of 1999 dollars. Division reclamation estimates are based on third party costs, and include mobilization costs, a 10% contingency, and five years of escalation.

The Division and the BLM currently have a Memorandum of Understanding (MOU) agreement for mine permitting activities conducted under the Federal 3809 regulations (locatable minerals). Because this project involves a federal mineral lease which is not covered under our MOU or the 3809 regulations, we requested information from the BLM State Office regarding the performance bond(s) in place for this project. We received such information in a letter received on January 25, 1994 (copy

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enclosed). This letter indicates Ziegler has a \$25,000 *statewide* bond which covers several federal leases, only one of which is currently active (Cowboy Federal #1). The bond is meant to cover liability for surface disturbance, reclamation, rental, and royalty obligations on the leases.

The \$25,000 statewide bond which has been filed with the BLM for the Cowboy lease and subsequent (presently undeveloped) leases cannot be accepted by this Division. The reasons for this are as follows:

1. Division policy prohibits the acceptance of statewide bonds as an acceptable form of reclamation surety for mining operations.
2. The existing BLM surety bond is not drafted as jointly payable to the State of Utah, Division of Oil, Gas and Mining, as a partner/successor to the bond (guaranteeing the calculated \$12,600 reclamation surety amount).

We have reevaluated the \$89,500 reclamation surety estimate presently calculated for Ziegler's current gilsonite mining operations. The surface disturbance for one shaft setup under this proposal is approximately 1.09 acres. The Division estimates a present cost of \$6,043 for reclamation of one complete shaft setup. The 10% contingency included in the \$89,500 surety posted amounts to \$7,637 in terms of 1992 dollars. This contingency amount would increase if we adjusted it to be in terms of current 1994 dollars. It is our opinion that sufficient bond exists to *temporarily* cover the small disturbance proposed for the first shaft setup under Ziegler's latest mine development plan.

The Division hereby grants approval for the first shaft setup of the Cowboy Federal #1 amendment as described by the information submitted to date, subject to the following conditions:

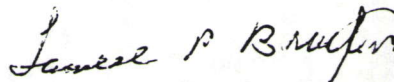
- (1) The Division must receive a new reclamation surety for \$12,600 surety, or a rider to the existing reclamation surety increasing the base amount from \$89,500 (1997 dollars) to \$105,300 (1999 dollars) within 60 days of your receipt of this letter, but no later than April 11, 1994.
- (2) Ziegler may not begin work beyond the first shaft setup area until the Division has received the adjusted surety amount and grants its approval to proceed.

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The increase in the combined surety amount is due to escalating both the existing surety and the amendment surety to 1999 dollars instead of just adding the two amounts together. See the enclosed surety estimate update for the escalation calculations. Some minor changes to the Reclamation Contract Agreement (FORM MR-RC) may also be required depending on the surety route pursued by Ziegler. Failure to meet condition one within the allotted timeframe will result in appropriate enforcement action by the Division or Board.

Ziegler may begin work on this project as soon as practicable. It is our understanding that the BLM has granted its approval of this proposed project. This amendment will now become a part of the Large Mining Operations Notice of Intention file number M/047/013. If you have any questions regarding this letter please contact me, Wayne Hedberg, or Tony Gallegos of the Minerals staff. Thank you for your cooperation in completing this permitting action.

Sincerely,



Lowell P. Braxton
Associate Director

jb
Enclosure
cc: Norm Haslem, Ziegler
Douglas Koza, BLM. Utah State Office
Minerals staff (route)
M47-13OK.let